



MISSOURI DEPARTMENT OF TRANSPORTATION
AND MISSOURI STATE HIGHWAY PATROL
MEDICAL AND LIFE INSURANCE PLAN

THREE YEARS ENDED JUNE 30, 1998

**From The Office Of State Auditor
Claire McCaskill**

Report No. 99-40
June 16, 1999

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

During our audit of the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan, we identified certain management practices which we believe could be improved.

The financial condition of the plan has rapidly deteriorated in recent years. In the last three fiscal years, ending Fiscal Year (FY) 1998, annual plan expenditures have increased approximately 23% while annual revenues have decreased approximately 6%. In this same period retained earnings have declined 66%, from \$14.5 million at June 30, 1996, to \$4.9 million at June 30, 1998. This trend has continued during the current fiscal period and, as of November 30, 1998, the plan's retained earnings was approximately \$138,000.

The significant increase in plan expenditures can be attributed to increasing medical costs, enhancements in medical plan benefits, and the addition of a prescription drug card program in 1997. Revenues have decreased due to a reduction in the state contribution rate instituted by the board in January 1997. Those changes were made in an attempt to decrease a large, previously accumulated retained earnings balance as discussed in our prior report.

The board has attempted to offset the rising medical costs and prescription drug program costs by increasing prescription drug co-payment amounts in September 1998 and raising all medical plan contribution rates effective January 1999. The State Auditor recommended the plan's Board of Trustees continue to closely monitor the plan's financial condition and take any additional actions needed to maintain the solvency of the plan.

In another finding the State Auditor noted the plan's Board of Trustees did not review supporting documentation for the achievement of performance standards set forth in the plan's medical claims administrators' contracts. The plan also did not require the prescription drug program administrator to timely furnish information regarding compliance with the performance standards stated in its contract.

The audit also found that in October 1996, at the request of the board, the plan's actuary submitted a proposal to perform an audit of the claims administrator to confirm compliance with 1993 and 1994 contractual savings guarantees related to the Preferred Provider Network. The actuary estimated the audit would require a maximum of 120 hours, assuming data from the claims administrator would be "available and usable, and received in a timely manner." However, upon completion in September 1997, the actuary had incurred approximately 276 extra hours, increasing the cost of the audit from \$13,800 to \$45,540. The board ultimately approved a payment of \$30,000 to the actuary for this audit.

Throughout the audit the actuary had indicated to the board they were having problems obtaining usable information in a timely manner; however, it was not until the audit was completed that the board was informed of the extra hours spent and cost incurred. The State Auditor made specific recommendations to improve the board's oversight of such contracts.

YELLOW SHEET

MISSOURI DEPARTMENT OF TRANSPORTATION
AND MISSOURI STATE HIGHWAY PATROL
MEDICAL AND LIFE INSURANCE PLAN

TABLE OF CONTENTS

| | <u>Page</u> |
|---|---|
| <hr/> FINANCIAL SECTION <hr/> | |
| State Auditor's Reports: | 2-6 |
| Financial Statements | 3-4 |
| Compliance and Internal Control over Financial Reporting | 5-6 |
| Financial Statements: | 7-10 |
| <u>Exhibit</u> | <u>Description</u> |
| A | Comparative Balance Sheet, June 30, 1998, 1997, and 1996.....8 |
| B | Comparative Statement of Revenues, Expenses, and Changes in Retained Earnings, Years Ended June 30, 1998, 1997, and 19969 |
| C | Comparative Statement of Cash Flows, Years Ended June 30, 1998, 1997, and 1996.....10 |
| Notes to the Financial Statements | 11-15 |
| Supplementary Data | 16-17 |
| Schedule | Comparative Schedule of Revenues, Expenses, and Changes in Retained Earnings, Years Ended June 30, 1994 through 199817 |
| <hr/> MANAGEMENT ADVISORY REPORT SECTION <hr/> | |
| Management Advisory Report - State Auditor's Current Recommendations: | 19-24 |
| Summary of Findings | 20 |
| <u>Number</u> | |
| 1. | Monitoring of Performance Standards.....21 |
| 2. | Contracts and Special Projects.....22 |
| 3. | Financial Condition.....23 |

MISSOURI DEPARTMENT OF TRANSPORTATION
AND MISSOURI STATE HIGHWAY PATROL
MEDICAL AND LIFE INSURANCE PLAN

TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| <u>MANAGEMENT ADVISORY REPORT SECTION</u> | |
| Follow-up on State Auditor's Prior Recommendations | 25-29 |
| <u>STATISTICAL SECTION</u> | |
| History, Organization, and Statistical Information | 31-35 |

FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS**

Honorable Mel Carnahan, Governor
and
Missouri Highway and Transportation Commission
and
Board of Trustees
Missouri Department of Transportation and Missouri
State Highway Patrol Medical and Life Insurance Plan
Jefferson City, Missouri 65102

We have audited the accompanying financial statements of the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan as of and for the years ended June 30, 1998, 1997, and 1996, as identified in the table of contents. These financial statements are the responsibility of the plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Governmental Accounting Standards Board Technical Bulletin 99-1, *Disclosures about Year 2000 Issues--an amendment of Technical Bulletin 98-1*, requires disclosures of certain matters regarding the year 2000 issue in order for financial statements to be prepared in conformity with generally accepted accounting principles. Such required disclosures include any significant amount of resources committed to address year 2000 issues for computer systems and other electronic equipment; a general description of the year 2000 issue, including a description of the stages of work in process or completed as of the end of the reporting period to address year 2000 issues for computer systems and other electronic equipment critical to conducting operations; and an indication that the completion of these stages is not a guarantee that systems and equipment will be year 2000-

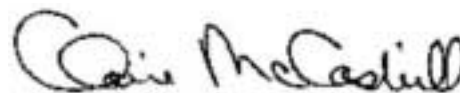
compliant. The Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan has omitted such disclosures. We do not provide assurance that the plan is or will become year 2000-compliant, that the plan's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the plan does business will become year 2000-compliant.

In our opinion, except for the omission of the information discussed in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan as of June 30, 1998, 1997, and 1996, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated December 18, 1998, on our consideration of the plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was made for the purpose of forming an opinion on the financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying financial information listed as supplementary data in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, except for the omission of the information discussed in the third paragraph, is fairly stated in all material respects in relation to the financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the plan's management and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

December 18, 1998 (fieldwork completion date)



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Honorable Mel Carnahan, Governor
and
Missouri Highway and Transportation Commission
and
Board of Trustees
Missouri Department of Transportation and Missouri
State Highway Patrol Medical and Life Insurance Plan
Jefferson City, Missouri 65102

We have audited the financial statements of the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan as of and for the years ended June 30, 1998, 1997, and 1996, and have issued our report thereon dated December 18, 1998. That report expressed a qualified opinion on the financial statements. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

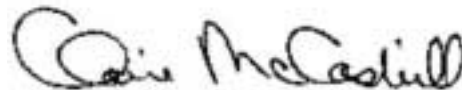
As part of obtaining reasonable assurance about whether the financial statements of the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan are free of material misstatement, we performed tests of the plan's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan, we considered the plan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide

assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

December 18, 1998 (fieldwork completion date)

Financial Statements

Exhibit A

MISSOURI DEPARTMENT OF TRANSPORTATION
AND MISSOURI STATE HIGHWAY PATROL
MEDICAL AND LIFE INSURANCE PLAN
COMPARATIVE BALANCE SHEET

| | June 30, | | |
|--|---------------|------------|------------|
| | 1998 | 1997 | 1996 |
| ASSETS | | | |
| Cash and cash equivalents | \$ 7,726,576 | 17,462,412 | 20,363,847 |
| Investments at fair value | 3,986,957 | 2,003,290 | 0 |
| Member contributions receivable | 11,534 | 21,569 | 6,333 |
| State contributions receivable | 41,143 | 426,338 | 623,162 |
| Accrued interest | 47,487 | 33,446 | 0 |
| Total Assets | 11,813,697 | 19,947,055 | 20,993,342 |
| LIABILITIES AND RETAINED EARNINGS | | | |
| Liabilities: | | | |
| Unearned - | | | |
| Member contributions | 1,168,001 | 1,060,204 | 1,025,110 |
| State contributions | 497 | 3,936 | 5,066 |
| Estimated liability for claims | | | |
| incurred but not reported | 4,710,905 | 4,926,348 | 4,265,496 |
| Other liabilities | 987,075 | 1,928,271 | 1,219,632 |
| Total Liabilities | 6,866,478 | 7,918,759 | 6,515,304 |
| Retained Earnings | 4,947,219 | 12,028,296 | 14,478,038 |
| Total Liabilities and Retained Earnings | \$ 11,813,697 | 19,947,055 | 20,993,342 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

MISSOURI DEPARTMENT OF TRANSPORTATION
AND MISSOURI STATE HIGHWAY PATROL
MEDICAL AND LIFE INSURANCE PLAN
COMPARATIVE STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS

| | Year Ended June 30, | | |
|---|---------------------|------------|------------|
| | 1998 | 1997 | 1996 |
| REVENUES | | | |
| Member contributions | \$ 12,741,271 | 11,600,102 | 11,951,188 |
| State contributions | 20,818,967 | 23,335,634 | 24,053,533 |
| Investment income - | | | |
| Interest | 826,061 | 1,151,206 | 1,043,562 |
| Net increase in fair value of investments | 99,261 | 5,321 | 0 |
| Total Revenues | 34,485,560 | 36,092,263 | 37,048,283 |
| EXPENSES | | | |
| Medical claims | 25,849,692 | 27,484,090 | 26,076,902 |
| Medical claims administration fees | 2,227,998 | 1,397,589 | 1,686,548 |
| Life insurance premiums | 365,304 | 368,358 | 343,348 |
| Optional life insurance premiums | 2,452,272 | 1,699,807 | 1,454,600 |
| Actuarial service | 91,403 | 90,950 | 24,670 |
| Transplant insurance premiums | 618,947 | 595,091 | 544,627 |
| Health maintenance organization premiums | 1,999,820 | 3,609,429 | 3,613,175 |
| Prescription claims administration fees | 98,429 | 53,510 | 0 |
| Prescription drug expense | 7,831,279 | 3,173,496 | 0 |
| Operation and miscellaneous expenses | 31,493 | 69,685 | 14,883 |
| Total Expenses | 41,566,637 | 38,542,005 | 33,758,753 |
| REVENUES OVER (UNDER) EXPENSES | -7,081,077 | -2,449,742 | 3,289,530 |
| RETAINED EARNINGS, JULY 1 | 12,028,296 | 14,478,038 | 11,188,508 |
| RETAINED EARNINGS, JUNE 30 | \$ 4,947,219 | 12,028,296 | 14,478,038 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

MISSOURI DEPARTMENT OF TRANSPORTATION
AND MISSOURI STATE HIGHWAY PATROL
MEDICAL AND LIFE INSURANCE PLAN
COMPARATIVE STATEMENT OF CASH FLOWS

| | Year Ended June 30, | | |
|---|---------------------|-------------|-------------|
| | 1998 | 1997 | 1996 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash received from member contributions | \$ 12,859,103 | 11,619,960 | 11,808,686 |
| Cash received from state contributions | 21,200,723 | 23,531,328 | 23,909,874 |
| Cash payment of medical claims | -27,183,333 | -26,072,708 | -25,379,232 |
| Cash payment of prescription drug claims | -7,722,712 | -2,913,173 | 0 |
| Premium payments to outside carriers | -5,397,148 | -6,452,837 | -5,450,981 |
| Cash payment for other suppliers of goods and services | -2,420,083 | -1,733,796 | -1,739,925 |
| Net Cash Provided (Used) by Operating Activities | -8,663,450 | -2,021,226 | 3,148,422 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Cash received from investment income | 933,452 | 1,151,206 | 1,043,562 |
| Accrued interest | -14,041 | -33,446 | 0 |
| Cash invested | -1,991,797 | -1,997,969 | 0 |
| Net Cash Provided (Used) by Investing Activities | -1,072,386 | -880,209 | 1,043,562 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | | |
| | -9,735,836 | -2,901,435 | 4,191,984 |
| CASH AND CASH EQUIVALENTS, JULY 1, | 17,462,412 | 20,363,847 | 16,171,863 |
| CASH AND CASH EQUIVALENTS, JUNE 30 | 7,726,576 | 17,462,412 | 20,363,847 |
| RECONCILIATION OF REVENUES OVER EXPENSES TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | | |
| Revenues over (under) expenses | -7,081,077 | -2,449,742 | 3,289,530 |
| Adjustments to reconcile revenues over expenses to net cash provided (used) by operating activities: | | | |
| Investment income- | | | |
| Interest | -826,061 | -1,151,206 | -1,043,562 |
| Net increase in fair value of investments | -99,261 | -5,321 | 0 |
| Changes in assets and liabilities- | | | |
| (Increase) decrease in receivables | 395,230 | 181,588 | -142,234 |
| Increase (decrease) in accounts payable and accrued liabilities | -1,052,281 | 1,403,455 | 1,044,688 |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | \$ -8,663,450 | -2,021,226 | 3,148,422 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

MISSOURI DEPARTMENT OF TRANSPORTATION
AND MISSOURI STATE HIGHWAY PATROL
MEDICAL AND LIFE INSURANCE PLAN
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present the insurance trust fund of the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan. The plan is funded by state and member contributions and investment income and provides medical and life insurance for eligible members of the Highway Employees' and Highway Patrol Retirement System. Due to the nature of the plan and reliance on funding from the Missouri Department of Transportation and Missouri State Highway Patrol, the plan is considered a component unit of the state of Missouri's financial reporting entity.

The Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan, presented in Exhibits A through C, is a separate accounting entity, recording all assets, liabilities, equities, revenues, and expenses related to the plan's activities.

Expenses presented for the plan may not reflect the total cost of the related activity. Other direct and indirect costs provided by the Missouri Department of Transportation and Missouri State Highway Patrol are not allocated to the plan.

B. Basis of Accounting

The financial statements for the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan, Exhibits A through C, are prepared in conformity with generally accepted accounting principles. The statements are presented on the accrual basis of accounting which recognizes revenues when earned and expenses when the related liabilities are incurred.

Contribution revenues are recognized in the month for which coverage was provided. As such, unearned contributions at June 30 are amounts contributed for or withheld from June payrolls for July insurance coverage. Medical benefits expense is recognized when claims are incurred as estimated by the plan's consulting actuary. All other expenses are recognized when the liability is incurred.

Investments are long-term investments which are expected to be held to maturity and redeemed at face value. The U.S. Treasury notes are reported at estimated fair value which approximates market. Interest income is recognized when earned.

For purposes of the statement of cash flows, the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

C. Fiscal Authority and Responsibility

Responsibility for administration of the transactions of the plan is vested in the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan Board of Trustees, within the authority prescribed by the Missouri Highway and Transportation Commission. The Board of Trustees maintains custody of trust fund resources, approves operating and investment transactions, and provides for control of trust fund resources.

D. Retained Earnings

This amount represents the amount of life insurance and state and member plan contributions in excess of current funding requirements at June 30, 1998, 1997, and 1996.

E. Basic Life Insurance

The state provides to all full-time salaried employees \$15,000 of insurance benefits regardless of length of service. Coverage is effective on the first day of the month coinciding with, or next following, the employee's date of employment. As coverage is provided by contract with a private insurance carrier, basic life insurance expense represents the state contributions in the basic life insurance program which are subsequently transmitted to the carrier on a monthly basis.

F. Optional Life Insurance

Section 104.517, RSMo Cumulative Supp. 1998, allows any person for whom basic life insurance is provided under this section, to purchase additional life insurance at up to six times the amount of the person's annual compensation, except that if the maximum amount is not evenly divisible by \$1,000, it will be the next higher amount evenly divisible by \$1,000 (prior to January 1, 1998, this additional life insurance was allowed at up to three times the amount of the person's annual compensation). Employees who retired before May 1, 1984, could have retained an amount no greater than \$2,500. Employees who retired on or after May 1, 1984, but before September 1, 1988, could have retained an amount no greater than \$5,000. Employees retiring on or after September 1, 1988 but before May 1, 1996, could have retained an amount no greater than \$10,000. Employees retiring on or after May 1, 1996 may retain an amount no greater than \$60,000. Effective January 1, 1998, employees may purchase spouse and dependent life insurance. Optional life

insurance for spouses is limited to the lesser of the employee's optional life insurance or \$100,000. Dependent child life insurance is limited to \$10,000 per child.

As coverage is provided by contract with a private insurance carrier, optional life insurance expense represents the contributions received from persons participating in the optional life insurance program which are subsequently transmitted to the carrier on a monthly basis.

G. Transplant Insurance Supplement

The plan provides benefits for organ or tissue transplants for active employees with one month of creditable service and other eligible participants, except those covered by Medicare. The maximum lifetime transplant benefit is \$1,000,000.

As coverage is provided by contract with a private insurance carrier, transplant insurance expense represents the contributions received from persons participating in the transplant insurance program which are subsequently transmitted to the carrier on a monthly basis.

H. Health Maintenance Organizations

The health maintenance organization (HMO) expense represents both the state and employee contributions received for members participating in the HMO's. Employees living in the service area of an alternative HMO have the option of choosing either the health maintenance program or the state medical insurance. The plan is responsible for transmitting these contributions to the HMO's on a monthly basis. At June 30, 1998, there were 738 participants in the HMO's (634 with the Missouri Department of Transportation and 104 with the Missouri State Highway Patrol).

I. Prescription Drug Card Program

Effective January 1, 1997, the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan began offering a prescription drug card program that provides prescription drug benefits to all participants in the insurance plan. There is no additional cost to the participant, other than the co-pays required. This plan is administered by an outside provider, and the plan is responsible for remitting payment to the administrator on a biweekly basis for claims and on a monthly basis for administrative fees.

2. Cash and Investments

Deposits

The plan's deposits at June 30, 1998, 1997, and 1996, were entirely covered by federal depositary insurance or by collateral securities held by the plan's custodial bank in the plan's

name. The plan utilizes a cash management account which has the capability of transferring funds into repurchase agreements daily, allowing the plan to invest excess funds and funds held to cover outstanding checks.

Investments

The Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan Board of Trustees is authorized by state statute to invest in U.S. Treasury or Agency securities maturing within three years or in repurchase agreements maturing within ninety days secured by U.S. Treasury or Agency securities of any maturity. There have been no violations of these investment restrictions during the years ended June 30, 1998, 1997, and 1996. The plan's investments are composed of the following:

| | | June 30, | | | | | |
|---|----|--------------------|-------------------|--------------------|-------------------|--------------------|-------------------|
| | | 1998 | | 1997 | | 1996 | |
| | | Reported Amount | Fair Value | Reported Amount | Fair Value | Reported Amount | Fair Value |
| Repurchase agreement (interest rate of 5.311 percent) | \$ | 8,416,832 | 8,416,832 | 18,397,245 | 18,397,245 | 21,205,131 | 21,205,131 |
| U.S. Treasury notes (interest rates of 5.24 to 6.16 percent) | | 3,988,801 | 3,986,957 | 1,998,246 | 2,003,290 | 0 | 0 |
| | | <u>12,405,633</u> | <u>12,403,789</u> | <u>20,395,491</u> | <u>20,400,535</u> | <u>21,205,131</u> | <u>21,205,131</u> |

These investments were held by the plan's custodial bank in the plan's name.

3. Risk Management

A claim becomes a liability of the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan when an illness begins or an injury occurs; however, payment of these claims is made at a later date after the claim is reported and adjudicated. Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan claims liabilities are reported when it is probable that a claim has occurred and the amount of that claim can be reasonably estimated. Estimated unreported claims represent expected claims against the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan that have been incurred but not reported. The unreported claims liability is established from data provided by an actuary. Changes in the balance of incurred but not reported claims liabilities for the years ended June 30, 1998, 1997, and 1996, were as follows:

| | Balance July 1 | Claims and Changes in Estimates | ClaimBalance Payments | June 30 |
|--|-------------------|---------------------------------------|--------------------------|---------|
| Estimated incurred but not reported claims: | | | | |

| | | | | | |
|------|----|-----------|------------|------------|-----------|
| 1996 | \$ | 3,811,740 | 26,530,658 | 26,076,902 | 4,265,496 |
| 1997 | | 4,265,496 | 28,144,942 | 27,484,090 | 4,926,348 |
| 1998 | | 4,926,348 | 25,634,249 | 25,849,692 | 4,710,905 |

Supplementary Data

Schedule

MISSOURI DEPARTMENT OF TRANSPORTATION
AND MISSOURI STATE HIGHWAY PATROL
MEDICAL AND LIFE INSURANCE PLAN

COMPARATIVE SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS

| | Year Ended June 30, | | | | |
|---|---------------------|-------------------|-------------------|-------------------|-------------------|
| | 1998 | 1997 | 1996 | 1995 | 1994 |
| REVENUES | | | | | |
| Member contributions | \$ 12,741,271 | 11,600,102 | 11,951,188 | 12,396,955 | 11,596,530 |
| State contributions | 20,818,967 | 23,335,634 | 24,053,533 | 22,431,119 | 22,185,207 |
| Investment income- | | | | | |
| Interest | 826,061 | 1,151,206 | 1,043,562 | 783,780 | 269,733 |
| Net increase in fair value of investments | 99,261 | 5,321 | 0 | 0 | 0 |
| Total Revenues | <u>34,485,560</u> | <u>36,092,263</u> | <u>37,048,283</u> | <u>35,611,854</u> | <u>34,051,470</u> |
| EXPENSES | | | | | |
| Medical claims | 25,849,692 | 27,484,090 | 26,076,902 | 25,285,419 | 22,684,557 |
| Medical claims administration fees | 2,227,998 | 1,397,589 | 1,686,548 | 1,329,198 | 1,071,875 |
| Life insurance premiums | 365,304 | 368,358 | 343,348 | 288,919 | 271,228 |
| Optional life insurance premiums | 2,452,272 | 1,699,807 | 1,454,600 | 1,226,305 | 1,170,886 |
| Actuarial service | 91,403 | 90,950 | 24,670 | 76,508 | 41,791 |
| Transplant insurance premiums | 618,947 | 595,091 | 544,627 | 424,803 | 418,894 |
| Health maintenance organization premiums | 1,999,820 | 3,609,429 | 3,613,175 | 1,675,460 | 636,785 |
| Prescription claims administration fees | 98,429 | 53,510 | 0 | 0 | 0 |
| Prescription drug expense | 7,831,279 | 3,173,496 | 0 | 0 | 0 |
| Operation and miscellaneous expense | 31,493 | 69,685 | 14,883 | 10,506 | 8,960 |
| Total Expenses | <u>41,566,637</u> | <u>38,542,005</u> | <u>33,758,753</u> | <u>30,317,118</u> | <u>26,304,976</u> |
| REVENUES OVER (UNDER) EXPENSES | -7,081,077 | -2,449,742 | 3,289,530 | 5,294,736 | 7,746,494 |
| RETAINED EARNINGS, JULY 1 | 12,028,296 | 14,478,038 | 11,188,508 | 5,893,772 | -1,852,722 |
| RETAINED EARNINGS, JUNE 30 | <u>\$ 4,947,219</u> | <u>12,028,296</u> | <u>14,478,038</u> | <u>11,188,508</u> | <u>5,893,772</u> |

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Current Recommendations

MISSOURI DEPARTMENT OF TRANSPORTATION
AND MISSOURI STATE HIGHWAY PATROL
MEDICAL AND LIFE INSURANCE PLAN
SUMMARY OF FINDINGS

1. Monitoring of Performance Standards (pages 21-22)

The Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan (plan) did not review supporting documentation for performance standards set forth in their medical claims administrators' contracts. The plan also did not require the prescription drug program administrator to furnish information in a timely manner regarding compliance with the performance standards stated in the contract.

2. Contracts and Special Projects (pages 22-23)

The plan requested their actuary to perform an audit of 1993 and 1994 Preferred Provider Network claims. The actuary estimated the audit would cost \$13,800. However, the actuary incurred and billed costs of approximately \$45,540 and did not adequately inform the Board of Trustees of the cost overruns. The board actually paid \$30,000 for the services provided.

3. Financial Condition (pages 23-24)

The plan's financial condition has deteriorated significantly over the last two fiscal years.

MISSOURI DEPARTMENT OF TRANSPORTATION
AND MISSOURI STATE HIGHWAY PATROL
MEDICAL AND LIFE INSURANCE PLAN
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S CURRENT RECOMMENDATIONS

We have audited the financial statements of the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan as of and for the years ended June 30, 1998, 1997, 1996, and have issued our report thereon dated December 18, 1998. That report expressed a qualified opinion on the financial statements.

During our audit, we identified certain management practices which we believe could be improved. Our audit was not designed or intended to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in the following Management Advisory Report should not be considered as all-inclusive of areas where improvements may be needed.

| | |
|-----------|--|
| 1. | Monitoring of Performance Standards |
|-----------|--|

The Missouri Department of Transportation and the Missouri State Highway Patrol Medical and Life Insurance Plan (plan) Board of Trustees (board) contracts with outside businesses for network and medical claims administration, as well as for the administration of a prescription drug program. These contracts establish specific performance standards, such as the amount of time to process and pay a claim and the accuracy of the payments made. The contracts also include penalties to be paid by the administrators when the agreed upon standards are not met.

- A. The various medical claims administrators perform quarterly internal audits of a sample of claims to measure the percentage of compliance with performance standards applicable to their contracts. After the internal audits are completed, the claims administrators summarize the results and calculate the applicable penalties due. The administrators then either write a check to the plan for the penalty amount or deduct the penalty from the service fees charged to the plan. Although these guarantees are included in the contract and the plan receives penalty fees when these guarantees are not met, the board does not review the supporting documentation for how the penalties were determined. Without reviewing the supporting documentation and ensuring the audits were correctly performed and that the performance measures were accurately determined, the board cannot assure themselves that the penalties calculated are correct.

To assure themselves that the penalties are accurately calculated and in accordance with the contract, the Department of Transportation Internal Audit Division, the Department of Transportation employees responsible for the plan's operation, or an independent party such as the plan's actuary, need to review supporting documentation for the performance standards audits.

- B. The plan's contract with the prescription drug program administrator, established in January 1997, also has provisions for performance standards. According to the contract, any amount owed the plan for not insuring performance standards shall be paid by the administrator within 60 days following the anniversary of the agreement year. Prior to November 1998, the plan had not required any information from this administrator to evaluate compliance with those standards. In November 1998, the board did request the administrator to furnish information regarding the performance standards stated in the contract and received that information on January 22, 1999. The administrator reported that all performance standards had been met.

To assure themselves that each of their administrators is complying with their contract, the board should ensure information is received and a review of compliance with the administrator's contract is performed on a timely basis.

WE RECOMMEND the Board of Trustees:

- A. Ensure a review of supporting documentation for performance standards audits is conducted.
- B. Ensure contract compliance relating to performance standards is reviewed in a timely manner.

AUDITEE'S RESPONSE

- A. *The board receives monthly reports as to the status of claims administration of the plan. The board reviews this information monthly at its board meeting for the performance of the claims administration. The board also has the actuary perform an audit on the claims administrator to review the supporting documentation relating to the performance of the claims administration.*
- B. *The board will ensure that the performance standards are reviewed in a timely manner.*

AUDITOR'S COMMENT

- A. While the plan does receive various monthly and quarterly reports from its claims administrators, it does not appear that any of those reports provide information sufficient for the plan to evaluate whether the quarterly reports on performance measures provided by the administrators are accurate. In addition, while the plan's actuary has performed audits of 1993 and 1994 claims processed through its Preferred Provider Network and 1995 claims processed by its medical claims administrator, no other reviews of claims have been performed. The plan has discussed several times having the 1996 and 1997 claims audited, but to date such an audit has not been obtained.

2.

Contracts and Special Projects

In October 1996, at the request of the board, the plan's actuary submitted a proposal to perform an audit of the claims administrator to confirm compliance with contractual savings

guarantees relating to Preferred Provider Network (PPO) in effect during 1993 and 1994. The proposal was based on provisions in the actuary's contract relating to special projects that could be performed for the plan at the contractual rate of \$115 per hour. The actuary estimated the audit would require a maximum of 120 hours, assuming data from the claims administrator would be "available and usable, and received in a timely manner;" however, upon completion in September 1997, the actuary had incurred approximately 276 extra hours, increasing the cost of the audit from \$13,800 to \$45,540.

Throughout the audit the actuary had indicated to the board they were having problems obtaining usable information in a timely manner; however, it was not until the audit was completed that the board was informed of the extra hours spent and cost incurred. Based on the lack of correspondence between the actuary and board concerning the extra hours and cost, the board decided to pay only \$30,000 of the \$45,540 invoice. In addition, the board also informed the actuary that if estimated costs were to be exceeded concerning future special projects, a request for additional fees should be submitted in writing. To ensure extra hours and/or costs are approved or disapproved prior to being incurred, the board should establish a formal procedure, through an amendment to the actuarial contract, to provide for periodic reports on the status of any special projects.

WE RECOMMEND the Board of Trustees establish a formal procedure, through an amendment to the actuarial contract, to ensure periodic reports are given on the status of special projects so extra hours and/or costs can be approved or disapproved prior to being incurred.

AUDITEE'S RESPONSE

The board was aware of the problems the actuary was having in performing the audit for the Preferred Provider Network and allowed the actuary to continue the audit. The actuary completed the audit and agreed to accept the original estimate. However, the board, realizing the extra work performed by this actuary, agreed to pay \$30,000 of the actual amount of \$45,540 performed by the actuary. The board feels adequate procedures are in place to assure the board is receiving the services requested.

3.

Financial Condition

The financial condition of the plan has rapidly deteriorated over the past two years.

In the last three fiscal years, annual plan expenditures have increased approximately 23 percent, rising from \$33.7 million to \$41.6 million, while annual revenues have decreased approximately 6 percent, dropping from \$37 million to \$34.4 million. As a result, over the last two fiscal years, expenditures have exceeded revenues by approximately \$7 million and \$2.4 million, respectively. In this same period retained earnings have declined 66 percent, from \$14.5 million at June 30, 1996, to \$4.9 million at June 30, 1998. This trend has continued during the current fiscal period and, as of November 30, 1998, the plan's retained earnings was approximately \$138,000.

The significant increase in plan expenditures can be attributed to increasing medical costs, enhancements in medical plan benefits, and the addition of a prescription drug card program in 1997. Revenues have decreased due to a reduction in the state contribution rate instituted by the board in January 1997. Those changes were made in an attempt to decrease a large, previously accumulated retained earnings balance as discussed in our prior report. Recently, the board has attempted to offset the rising medical costs and prescription drug program costs by increasing revenues. To increase the plan's revenues, the board raised prescription drug co-payment amounts in September 1998 and raised all medical plan contribution rates effective January 1999.

While the board is aware of the declining financial condition and has taken steps to address this issue by making recent changes to increase plan revenues, additional actions may be needed in the future. The board should continue to closely monitor the plan's financial condition and take appropriate additional actions necessary.

WE RECOMMEND the Board of Trustees continue to closely monitor the financial condition of the plan and take any additional actions needed to maintain the solvency of the plan.

AUDITEE'S RESPONSE

The board is well aware of its financial condition and is making every effort to stabilize the reserves.

This report is intended for the information of the management of the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on State Auditor's Prior Recommendations

MISSOURI DEPARTMENT OF TRANSPORTATION
AND MISSOURI STATE HIGHWAY PATROL
MEDICAL AND LIFE INSURANCE PLAN
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan on recommendations made in the Management Advisory Report (MAR) of our report issued for the three years ended June 30, 1995. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the board should consider implementing these recommendations.

1. Medical Plan Rate Structures

- A. Certain rate structures in effect for classifications within the non-employee plan were not always sufficient to cover the amount of claims incurred against that particular classification.
- B. During fiscal year 1994, the Missouri Highway and Transportation Commission elected to transfer \$2.8 million in additional state contributions to the medical plan. This transfer, along with increases in various member and state contributions effective in 1994, caused the medical plan's cash balance and retained earnings to increase significantly in fiscal years 1994 and 1995.

Recommendation:

The Board of Trustees:

- A. Evaluate the various plan rate structures and adjust them accordingly to ensure each plan area contributions are sufficient to cover claims incurred for that area.
- B. Evaluate the excess cash and retained earnings balances to determine if state funding needs to be adjusted.

Status:

- A. Partially implemented. In January 1997, plan classifications and rates were evaluated and adjusted. In addition, the board, upon recommendations from their actuary which were based on an analysis of rates, plans to raise rates ten percent each of the next three years beginning January 1999. However, based on the actuarial projections, it appears the medicare classification's rate structure effective the year 2001 would still be insufficient to cover claims incurred. Although not repeated in our current MAR, our recommendation remains as stated above.
- B. Implemented. Effective January 1, 1997, in order to reduce the excessive fund balance, state funding for most categories was reduced and benefits were enhanced.

2. Claims Processing

- A. On January 1, 1995, the contract with the claims administrator was amended to allow penalties to be imposed on timeliness of processing claims and for payment accuracy; however, plan personnel did not perform any case testing or receive any reports by which to determine how efficient the claims administrator was in the processing and payment of claims.
- B. In September 1993 the claims administrator began processing claims using a new screen imaging system, which eliminated any supervisory review or approval prior to payment. As a result, for the three years ended June 30, 1995, over \$1,322,000 was refunded to the medical plan due to overpayments made by the claims administrator. In most cases, these mistakes were identified by members or providers and not the claims administrator.
- C. The board did not perform a cost/benefit analysis regarding the processing and payment of its own claims versus contracting with an outside claims administrator.

Recommendation:

The Board of Trustees:

- A. Establish a performance mechanism for evaluating the timeliness and accuracy of claims processed and assess penalties as necessary.
- B. Require a review of each overpayment to determine the circumstances or reasons for the overpayment. Any changes or revisions that are determined to be necessary should be initiated immediately to reduce the potential for additional overpayments.
- C. Perform a cost/benefit analysis relating to the plan processing its own claims versus contracting with a claims administrator.

Status:

- A. Partially implemented. The plan's Board of Trustees contracted with its actuary to conduct an audit of claims processed in 1995. This audit was completed in March 1998. In addition, penalties have been assessed for failure to meet performance standards relating to claims processed by the former and current claims administrators from 1996 to 1998, using performance reports provided; however, plan personnel did not review any supporting documentation or perform a review of claims in order to verify the accuracy of these reports. See MAR No. 1.
- B. Implemented. The current claims administrator has in place various edit checks designed to detect overpayments or other possible errors and has established procedures to review and properly adjust these claims.
- C. Partially implemented. The plan's Board of Trustees contracted with its actuary to perform a cost/benefit analysis. The analysis was completed in March 1997. The actuary determined that it would be cost effective for the plan to process its own

claims; however, after reviewing the analysis, the Missouri Department of Transportation (MoDOT) determined such an arrangement was not feasible at the time. Although not repeated in the current MAR, the board should consider performing the analysis again at some point in the future.

3. Cost Containment Measures

- A. The MoDOT Internal Audit Division did not periodically review either the claims processing function performed by the claims administrator or the Contract and Disbursement Section which collected, recorded, and deposited receipts and made disbursements for administrative expenses.
- B. There was no review of claims to determine whether the plan maximum of \$1,000,000 in paid benefits had been exceeded or whether the maximum of \$15,000 (\$25,000 effective June 1994) in paid benefits for alcohol and drug abuse or mental and nervous disorders had been exceeded by a plan participant.
- C. The board did not require all cases involving potential subrogation to be separated and reviewed for any further action to ensure the plan was paying only for necessary medical costs.

Recommendation:

The Board of Trustees:

- A. Require a periodic review of the medical plan claims processing function and the contract and disbursement section by the internal audit division.
- B. Review all claims that have exceeded established limits of coverage and request refunds as appropriate. The board should also require the claims administrator to furnish a listing of all claims over a specified dollar amount for further study and review by the board to ensure the \$1,000,000 limit is not exceeded. In addition, all cases involving mental or nervous disorders or alcohol and drug abuse should be given to the board for review to ensure the maximum benefit amounts are not exceeded.
- C. Require the claims administrator to furnish a listing of all potential cases involving subrogation to the board for review and pursue collection of all subrogation claims.

Status:

- A. Not implemented. In regard to a periodic review of the Contract and Disbursement Section (now called the Business and Benefits Section), MoDOT's Internal Audit Division does not perform this function. Although not repeated in the current MAR, our recommendation remains as stated above. In regard to a periodic review of the claims administrators, MoDOT's Internal Audit Division does not perform this function either. See MAR No. 1.

- B. Implemented. The board reviewed all alcohol and drug abuse or mental and nervous disorder cases over the \$25,000 limit and decided not to pursue any overpayments after the prior claims administrator indicated errors existed in such medical limit reports. No participants had exceeded the \$1,000,000 lifetime maximum. Effective January 1, 1998, upon the changing of claims administrators, the board reset all previously accumulated balances to zero. Currently, the board receives and reviews a report from the new claims administrator allowing them to monitor members which are in proximity of plan limits.
- C. Implemented. The former claims administrator furnished a listing of potential subrogation cases to the board but did not attempt to pursue collection on these claims due to inadequate subrogation procedures and/or possible miscoding of claims. The current claims administrator identifies, investigates, and attempts to collect on potential subrogation cases.

4. Hospital and Provider Audits

The claims administrator did not have sufficient edit checks in its computer system to identify claims that were likely to have over-billings or be fraudulent in nature.

Recommendation:

The Board of Trustees require the claims administrator to develop appropriate edit checks to identify claims likely to have over-billings or which may be fraudulent in nature.

Status:

Implemented. The current claims administrator has in place various edit checks designed to identify claims likely to have over-billings or which may be fraudulent in nature, as well as to detect other possible errors.

5. Investment of Plan Funds

During the three years ended June 30, 1995, the board only invested in repurchase agreements and did not amend the current banking agreement to allow excess funds to be invested in longer-term, higher yielding investments.

Recommendation:

The Board of Trustees immediately consider amending the current banking agreement to allow funds in excess of current short-term requirements to be invested in longer-term, higher yielding investments.

Status:

Implemented. The banking agreement was amended in April 1996. In addition, the board began investing in U.S. Treasury/Agency notes in June 1997, in order to obtain a longer-term, higher yield investment for excess cash balances.

STATISTICAL SECTION

History, Organization, and
Statistical Information

MISSOURI DEPARTMENT OF TRANSPORTATION
AND MISSOURI STATE HIGHWAY PATROL
MEDICAL AND LIFE INSURANCE PLAN
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Missouri Highway and Transportation Department and Missouri State Highway Patrol Medical and Life Insurance Plan was organized by the Missouri Highway and Transportation Commission on July 1, 1977, under the provisions of Section 104.270, RSMo. The plan was established to provide medical coverage on a self-insured basis, and death benefits on an insured basis. Beginning May 1, 1982, additional life insurance was made available as an option.

The responsibility for the proper administration of the plan and the direction of its policies is vested in a seven-member Board of Trustees. The board consists of four Missouri Department of Transportation (MoDOT) employees appointed by the chief engineer, two Missouri State Highway Patrol (MSHP) employees appointed by the superintendent, and one member who is retired from the MoDOT or MSHP who is appointed by the chief engineer and the superintendent, all of whom are subject to approval by the commission.

Board of Trustees as of June 30, 1998

| Name | Department/Division | Term Expires |
|---------------------------------------|------------------------------|---------------|
| C. F. Barnes, Chairman | MoDOT/Business and Benefits | November 1999 |
| Captain Terry Moore, Vice-chairman | MSHP/Human Resources | May 2004 |
| Pam Otto, Secretary/Treasurer | MoDOT/Business and Benefits | November 2002 |
| Captain Steve Johnson | MSHP/Traffic | November 2000 |
| Al Laffoon | MoDOT/Bridge | January 2002 |
| Dan Pritchard | MoDOT/Chief Counsel's Office | November 1998 |
| Roy Bergman | Retiree Member | November 1999 |

All board members are appointed for a six-year term except for the retiree member who is appointed for a three-year term.

With the approval of the commission, the board has selected the following companies to provide services to the plan:

| | |
|---|--|
| Westport Benefits, LLC* | Medical benefit claims administration, large case management, and cost containment** |
| HealthLink, Inc. | Network administration** |
| Monumental Life Insurance Company | Organ transplant benefits*** |
| Standard Insurance Company | Death benefit insurance and optional life insurance**** |
| Milliman & Robertson, Inc. | Consultant and actuarial services |
| Eckerd Health Services***** | Prescription drug benefit management services |
| Central Bank | Banking and investment services |
| Missouri Patient Care Review Foundation | Retrospective medical review |

* Previously Genelco, Inc. Genelco was purchased by Westport Benefits, LLC.

** Prior to January 1, 1998, these services were performed by Alliance Blue Cross-Blue Shield.

*** Effective September 1, 1998, Legion Insurance Co. was awarded the new contract to provide these benefits.

**** Prior to May 1, 1996 these services were provided by Missouri Valley Life and Health Insurance Company.

***** Previously TDI Managed Care Services, Inc. Eckerd Drugs and TDI Managed Care Services, Inc. merged and TDI changed its name to Eckerd Health Services in 1997.

All other operations are performed by personnel of the MoDOT with the use of the department's facilities and equipment.

The plan is financed by state contributions, member contributions, and investment income. The monthly state contribution per employee has been:

| State Contribution | | |
|----------------------------------|-----------------|-------------------|
| Period | Medical Care | Death Benefits |
| May 1, 1995 to April 30, 1996 | \$ 172.00 | 3.00 |
| May 1, 1996 to December 31, 1996 | 172.00 | 3.45 |
| January 1, 1997 to present | 139.00 | 3.45 |

Effective February 1, 1996, the state's contribution for medical care for each retiree of the MSHP and MoDOT increased from \$53.00 to \$62.00 and from \$9.00 to \$62.00, respectively.

Member contributions are set by the board based on actuarial valuations and vary according to number of persons covered, eligibility for Medicare, and state contributions.

As of June 30, 1998, there were 24,672 participants in the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan (18,394 with the MoDOT and 6,278 with the MSHP).

MISSOURI DEPARTMENT OF TRANSPORTATION AND
MISSOURI STATE HIGHWAY PATROL
MEDICAL AND LIFE INSURANCE PLAN
SCHEDULE OF CONTRIBUTIONS
MEDICAL INSURANCE

| Rate Groups | July 1, 1995 | | | February 1, 1996 | | | January 1, 1997 | | | January 1, 1998 | | |
|--|--------------|--------|--------|------------------|--------|--------|-----------------|--------|--------|-----------------|--------|--------|
| | Member | State | Total | Member | State | Total | Member | State | Total | Member | State | Total |
| EMPLOYEE RECEIVING STATE CONTRIBUTION** | | | | | | | | | | | | |
| One person | \$ 0.00 | 172.00 | 172.00 | \$ 0.00 | 172.00 | 172.00 | \$ 0.00 | 139.00 | 139.00 | \$ 0.00 | 139.00 | 139.00 |
| Family (multi-person) | 90.00 | 267.00 | 357.00 | 90.00 | 267.00 | 357.00 | 90.00 | 205.00 | 295.00 | 90.00 | 205.00 | 295.00 |
| Sponsored family member* | 45.00 | 0.00 | 45.00 | 45.00 | 0.00 | 45.00 | 45.00 | 0.00 | 45.00 | 45.00 | 0.00 | 45.00 |
| EMPLOYEE NOT RECEIVING STATE CONTRIBUTION (a) (b) ** | | | | | | | | | | | | |
| One person | 172.00 | 0.00 | 172.00 | 172.00 | 0.00 | 172.00 | 139.00 | 0.00 | 139.00 | 139.00 | 0.00 | 139.00 |
| Family (multi-person) | 357.00 | 0.00 | 357.00 | 357.00 | 0.00 | 357.00 | 295.00 | 0.00 | 295.00 | 295.00 | 0.00 | 295.00 |
| Sponsored family member* | 60.00 | 0.00 | 60.00 | 60.00 | 0.00 | 60.00 | 60.00 | 0.00 | 60.00 | 60.00 | 0.00 | 60.00 |
| RETIREE & LONG TERM DISABILITY RECIPIENT RECEIVING STATE CONTRIBUTION (a) (c) | | | | | | | | | | | | |
| Highway Patrol | | | | | | | | | | | | |
| One person | 127.00 | 53.00 | 180.00 | 118.00 | 62.00 | 180.00 | 77.00 | 62.00 | 139.00 | 77.00 | 62.00 | 139.00 |
| Family (multi-person) | 287.00 | 53.00 | 340.00 | 278.00 | 62.00 | 340.00 | 233.00 | 62.00 | 295.00 | 233.00 | 62.00 | 295.00 |
| Sponsored family member* | 60.00 | 0.00 | 60.00 | 60.00 | 0.00 | 60.00 | 60.00 | 0.00 | 60.00 | 60.00 | 0.00 | 60.00 |
| Medicare member | 32.00 | 53.00 | 85.00 | 23.00 | 62.00 | 85.00 | 28.00 | 62.00 | 90.00 | 28.00 | 62.00 | 90.00 |
| Department of Transportation | | | | | | | | | | | | |
| One person | 171.00 | 9.00 | 180.00 | | | | | | | | | |
| Family (multi-person) | 331.00 | 9.00 | 340.00 | | | | | | | | | |
| Sponsored family member* | 60.00 | 0.00 | 60.00 | | | | | | | | | |
| Medicare member | 76.00 | 9.00 | 85.00 | | | | | | | | | |
| FORMER SPOUSE, SURVIVING SPOUSE AND/OR DEPENDENT, VESTED, & CONTINUOUS COVERAGE MEMBER | | | | | | | | | | | | |
| One person | 180.00 | 0.00 | 180.00 | 180.00 | 0.00 | 180.00 | 139.00 | 0.00 | 139.00 | 139.00 | 0.00 | 139.00 |
| Family (multi-person) | 340.00 | 0.00 | 340.00 | 340.00 | 0.00 | 340.00 | 295.00 | 0.00 | 295.00 | 295.00 | 0.00 | 295.00 |
| Sponsored family member* | 60.00 | 0.00 | 60.00 | 60.00 | 0.00 | 60.00 | 60.00 | 0.00 | 60.00 | 60.00 | 0.00 | 60.00 |
| Medicare member | 85.00 | 0.00 | 85.00 | 85.00 | 0.00 | 85.00 | 90.00 | 0.00 | 90.00 | 90.00 | 0.00 | 90.00 |

*These contribution rates cover only the sponsored family member and are paid in addition to the contribution rates for the other rate groups (one person and family). A sponsored family member is any person (except those eligible for dependent or medicare coverage) residing in the member's home who receives 50 percent or more of this or her support from the member and is shown on the member's federal income tax form as a dependent for the calendar year. Registered full-time students are not required to reside in the member's home.

**The Medicare member category for employees receiving a state contribution and employees not receiving a state contribution is not applicable. This is because they would fall either under the one person or family (multi-person) categories.

(a) Long term disability members were included in the category for employee not receiving state contribution until January 1, 1998, at which time they were added to the rate category for retirees.

(b) In 1998, employees not receiving state contribution consist of employees on a leave without pay. Prior to that time, this category also included long term disability members.

(c) Effective September 1, 1994, the state's contribution rate for retirees of the MSHP increased from \$9 to \$53 while the state's contribution for retirees of the MoDOT remained the same. Effective 2/1/96, the state share for all retirees increased to \$62. Therefore, for 1995, retiree contribution for MSHP and MoDOT are reflected in separate categories. Thereafter the two categories were the same.

* * * * *